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NO COMMENTS WERE RECEIVED FROM THE DEPARTMENT OF INTERIOR
ON THE ADDITIONAL REORGANIZATION OPTION.



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JAN 8 1979

Honorable James C. McIntyre, Jr.
Director, Office of Management
and Budget
The White House
Washington, D. C. 20503

Dear Mr. McIntyre:

Thank you very much for your memorandum of January 5, 1979 which transmitted the draft decision document on reorganization. This letter supplements my earlier comments. In summary, I support:

- . Establishment of a Department of Natural Resources (DNR) as proposed with the exceptions noted below.
- . Consolidation of all water resource functions in the DNR (Option 2). However, if responsibility for water resources is to be split between the Corps and DNR, then operation and maintenance functions must be placed in the DNR if the DNR is to effectively manage the Nation's water resources with some exceptions related to navigation. I prefer no reorganization to a reorganization plan which places operation and maintenance authority in the Corps.
- . The addition of a minerals component to the DNR.
- . Transfer to DNR of the few leasing responsibilities now in DOE (the draft decision memo needs to be clarified to permit a decision on this point).
- . Announcement of the reorganization plan in the State of the Union message and prompt submission to Congress thereafter.

I have limited my comments to the draft decision document. I assume that there will be extensive consultation between us as to how the proposed DNR will be organized internally.

General Discussion

I believe that we have a unique opportunity to recommend to the Congress a reorganization proposal which will fulfill the President's pledge to



reorganize the Federal Government and improve the management of the Nation's natural resources. The current political climate and public sentiment favor a bold, innovative proposal which will ensure a more efficient response to meeting the Nation's resource needs.

The present fragmentation of programs and responsibilities among several Cabinet Departments and agencies leads to waste, inefficient decision-making, confusion and frustration on the part of the public. The proposed DNR can provide for clear policy direction, effective management and accountability for the Nation's natural resources.

I am confident that political support and determination exist to succeed. Members of Congress whose support is essential are committed. Congressman Udall told me last week that he is prepared to actively help us. He said it will be a battle but is attainable. From soundings I have taken, I am convinced we can reach accord with Senator Magnuson. The environmental community will support reorganization. Fish and wildlife and outdoor enthusiasts in general can be enlisted. While the majority of the timber industry presently expresses opposition, I believe this is largely a negotiating posture. At the very least, the industry can be split on the question, thereby counteracting present opposition. The oceans community generally believes it has been somewhat ignored in the present government structure and can be convinced to support the proposal if it is properly packaged. While we have done little yet to solicit the support of State and local officials, the utilities and financial institutions, I am confident they can be persuaded of the benefits of reorganization if properly approached.

Managing the Nation's Water Resources

I have one very serious disagreement with the plan as proposed--concerning water resources. The new DNR must be the effective manager of the Nation's water resources. Yet, the PRP proposal leaves responsibilities for water resources divided between the DNR and the Corps.

The best way to be sure that the DNR effectively manages the Nation's water resources is to transfer the Corps' civil division to the DNR (Option 2). The transfer in no way would impair the Army's ability to meet the country's defense needs. In time of emergency all resources of the Federal Government will be mobilized no matter where located. Complete transfer would:

- . Maximize cost savings by allowing consolidation of field offices, minimize time spent on co-ordination, and eliminate the competition of two water resources agencies for "new business".

- . Provide for efficient management of projects. Most Federal water project activities are multiple-purpose and they often take years to plan, authorize and construct. Planning, design, construction and operation are all related to each other. People carrying out each function must work closely with the others. Separating planning and construction (as proposed in Option 1) would not provide the necessary framework for ensuring effective decision-making.

However, if the decision is to split responsibility for water resources between the Corps and the DNR it is absolutely essential that the Corps' role be limited to that of a "general contractor" and that responsibility for operation and maintenance be placed in DNR (with some exceptions relating to navigation). My reasons are as follows:

- . A small group of planners in DNR will never be able to control the Corps' bureaucracy which will be substantially enlarged by the addition of BurRec construction and operations and maintenance personnel. Budgetary control won't help because budgets initially will be prepared by the Corps, there will be little time for DNR review, and the Hill will give the Corps what they want anyway. Over time the Corps will re-establish their own planning staff by one device or another.
- . More important, planning new water projects is only a small part of effectively managing the Nation's water resources. The operation of projects is critically important as well:
 - Controlling stream flow by releasing water is an O&M function. These decisions have tremendous impact on fish and wildlife and other values. Decisions must be made in dry years which weigh competing water needs of irrigators, municipalities, Indians, power customers, recreational users and fish and wildlife. The Secretary of DNR is more able to make these trade-offs than the Secretary of the Army.
 - Selling water and administering water contracts--including acreage limitation--is an O&M function. Decisions on selling water involve many trade-offs between competing users (for example, how much water to sell to irrigators versus using water to maintain water quality in the California Delta). The DNR is best able to make such decisions.
- . Decisions on dredging rivers and harbors involve difficult resource trade-offs. Impacts on water quality, fishery resources, estuaries, etc. must be taken into account. The 404 permitting process today

involves an elaborate co-ordination between the Corps and Interior (and others) that delays decisions on permits for long periods of time and elevates too many decisions to the Secretary, Under Secretary level. The process would be streamlined if the trade-offs can be made by the resource agency--the DNR.

Any reorganization plan that places operation and maintenance in the Corps in my view would be a major step backward. I would prefer no reorganization than a plan which accomplished that result.

If the entire civil works division of the Corps is not transferred to DNR (Option 2) then the Corps' role should be limited to that of a general contractor for DNR (and others) performing design and construction, selected maintenance and major replacement work with funding and supervision by DNR.

All operations and maintenance and permitting functions (including sections 10 and 404) should be performed by DNR, except for operation and maintenance of inland navigation projects, harbors and navigational locks and dams which could be done by the Corps or DOT. (Language changes to give the President this option are included as Attachment 1).

Science and Minerals

I again urge you to use this reorganization to establish in the DNR strong capabilities in both the physical sciences and non-fuel minerals research and policy. This can be accommodated by recognizing one organizational entity with a strong minerals and science function. I suggest that the following language be substituted for the second bullet on page 5 to emphasize better this need:

Geological Survey and Bureau of Mines (Interior), and Soil and Snow Surveys (Agriculture); Most of the resource agencies gather information and do research which are closely related and can be duplicative. Research and policy information is often presented in different formats which are difficult for use by States and other Federal agencies. Minerals data gathering and policy analysis currently is fragmented and ad hoc. These programs can be more useful by locating them in a strong science and minerals component of DNR.

Leasing Minerals

As pointed out in comments on the last draft, we should use this reorganization to consolidate all responsibilities for the public's mineral resources in DNR and to correct the problem now developing in Federal leasing programs. The

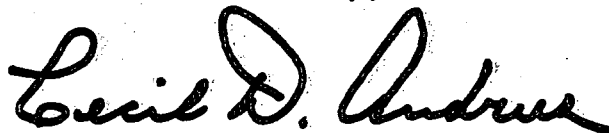
Department of Energy has some limited leasing responsibilities which has led to: ~~the~~

- . Interagency competition and duplication
- . Delays and confusion in serving the public
- . Elevation of conflicts to the Secretarial level.

This is a clear-cut case of fragmentation, which is both highly visible and poorly regarded by the public, which is appropriately correctable in this reorganization. This can be handled with minimal additions to your present text (see Attachment 2).

In conclusion, I thank you for this opportunity to comment on the draft decision memorandum. If the President approves the plan, I look forward to working with you and your staff to carry it out.

Sincerely,

A handwritten signature in cursive script, reading "Cecil D. Andrus". The signature is written in dark ink and is positioned below the word "Sincerely,".

SECRETARY

Add a paragraph on page 6 explaining a fourth option as follows:

"A fourth option is to make DNR the Federal water resources management agency and the Corps the Government's general construction contractor. DNR would perform policy, budget, planning, operation and maintenance functions (including sections 10 and 404 permitting functions), except operation and maintenance of inland navigation projects, harbors, and navigational locks and dams which would be accomplished by the Corps. The Corps would perform detailed design, construction and major replacement functions with funding and general supervision from DNR. This option clearly places in DNR responsibility for water resources management and the authority to discharge that responsibility."

Add an Option 4 under Decision 2 on page 11 as follows:

Option 4. Make DNR the water resource manager to plan, budget, develop policy, operate and maintain water development projects (including permitting functions); make the Corps a construction agent with operation and maintenance responsibilities limited to certain navigation projects.

Language Changes for Leasing

- . On page 4, after the first sentence under B., add the following sentence: "It would also return to their original Interior locations those leasing responsibilities transferred to the Department of Energy under the DOE Organization Act of 1977."
- . On page 11, rewrite decision (1) as follows:
 - (1) Should a Department of Natural Resources be created including all of Interior, the Forest Service, NOAA, the Soil and Snow Surveys of the Soil Conservation Service, and the leasing functions transferred to DOE.
 - ☐ Yes, include all recommended programs
 - ☐ Yes, but do not include Forest Service
 - ☐ Yes, but do not include NOAA
 - ☐ Yes, but do not include DOE leasing functions
 - ☐ No.



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

January 3, 1979

Honorable James C. McIntyre, Jr.
Director, Office of Management
and Budget
The White House
Washington, DC 20503

Dear Mr. McIntyre:

Thank you for your December 27 memorandum on reorganization. I cannot emphasize strongly enough the historical opportunity we have to move forward with an effective reorganization of natural resources which will provide more efficient service to the tax-paying public and concurrently fulfill the President's pledge to reorganize the Federal Government. Nor can I emphasize strongly enough the need for a swift decision by you and a timely presentation to Congress. Given the current political climate and public expressions of support for the President's goal of a more efficient, compassionate Federal Government truly responsive to the people's needs, the time is now to meet that need in the natural resources area.

I am confident that political support and determination exist to succeed. Members of Congress whose support is essential are committed. The environmental community will support reorganization. Fish and wildlife and outdoor enthusiasts in general can be enlisted. While the majority of the timber industry presently expresses opposition, I believe this is largely a negotiating posture. At the very least, the industry can be split on the question, thereby counteracting present opposition. The fishing industry generally believes it has been somewhat ignored in the present government structure and can be convinced to support the proposal if it is properly packaged. While we have done little yet to solicit the support of State and local officials, the utilities and financial institutions, I am confident they can be persuaded of the benefits of reorganization if properly approached.

I wholeheartedly support the thrust of your staff's recommendation for the creation of a Department of Natural Resources. My comments relate principally to issues that were not fully developed in the memorandum or about which we are uncertain as to the proposed treatment.

A major goal of reorganization should be to make DNR the effective manager of the Nation's water resources. To reach this goal all planning, budgeting, design, construction, operation, maintenance, and replacement of water facilities presently carried out by the Corps of Engineers, the Soil Conservation Service, and the Bureau of Reclamation should be consolidated in DNR. With complete control of water projects from start to finish, DNR would be the accountable arm of the Federal Government for water policy management and could prevent delays, inefficiency, waste, and duplication inherent in the present system, and the public would better understand the system. DNR could resolve internally the inevitable trade-offs which arise from conflicting claims to finite water resources. DNR's engineers and staff would be available to the military during times of emergency. The transfer of the Corps' civil functions to DNR should not adversely affect the military responsibilities of the Corps.

However, if it is determined that the best course—total consolidation in DNR—is not feasible, the only other realistic alternative is to transfer all policy, planning, budgeting, and most operation, maintenance, and construction oversight responsibility for water resource projects (relating to reservoirs and water management) to DNR. DNR would perform all operation and maintenance, including permitting functions (section 10 and section 404), except for: inland navigation projects, harbors, and navigational locks and dams. The Corps would act, in effect, as the general contractor for DNR in performing design and construction, certain operations and maintenance, and all major replacement functions with funding and supervision from DNR.

It is crucial to effective water resource management to have control of the facility, and therefore the stream flow, in the department charged with implementing national water policy. Operating decisions often must be made quickly in the field. These decisions are best made by people familiar with the competing demands for the water (irrigation, consumption, power generation, recreation, fish and wildlife needs, etc.) and sensitive to trade-offs that must be made. The department which plans the facilities and contracts for the water use should be the same one which decides how to allocate the resource in times of shortage or other unusual circumstances. Without effective control of the project from planning through commencement of operation—a period sometimes lasting over 20 years—the ability to implement water policy will be seriously jeopardized.

Your staff has recommended a science component as an organizing principle around which certain DNR functions would be grouped. I recommend that this component be renamed to include the word "mineral" in the title. Your staff proposal has no minerals focus and I believe it is important to the Nation and DNR to have such a focus. National minerals supply and demand and problems associated with minerals extraction are important national concerns and will become increasingly important in the future. Moreover, the science component does not provide an organizational home for the Office of Surface Mining which would fit well in a minerals component.

My suggestion goes more to the identity and mission of the proposed science component and less to the functions that would be included within it. The basic parts of a minerals component would be most parts of the U.S. Geological Survey, Bureau of Mines, Office of Surface Mining, and Office of Minerals Policy and Research Analysis. Fish and Wildlife Service ecological research would go with the wildlife function; NOAA geodesy and mapping programs could stay with NOAA or be placed with the minerals functions; and the Office of Water Research and Technology could go to the water resources component.

The organizational principle of combining operations and policy functions with related science and technology functions is basic to DNR as evidenced by the proposed structure for NOAA, Forestry/Land Management, and Recreation/Wildlife. In addition, the proposed science component essentially covers only geologic and minerals sciences and improperly separates science from operating responsibility.

As we have discussed with your staff, the transfer of certain leasing responsibilities last year from the Department of the Interior to the Department of Energy has created time consuming and difficult coordination problems without any offsetting benefits. No one that I am aware of—including the two departments, the industry and other interested groups—is happy with the current split. The natural resources reorganization plan presents an opportunity to correct the problem.

Attached as Exhibit A are some specific suggestions regarding your memorandum's Exhibits I and II (between pages 2 and 3) to update the Department of the Interior program descriptions.

The proposal to establish a Department of Food and Agriculture carries with it the following suggestion on page 24: "Transfer to DFA the Fish and Wildlife Service's Division of Fisheries Research in Interior; this would increase DFA's ability to develop and promote freshwater fish production and marketing." This proposal overlooks the fact that most of the research done by the Fish and Wildlife Service in the area of fisheries is in connection with sport fishing. It is implicit in the suggested transfer that fisheries research in the freshwater area is somehow better devoted to fish production and marketing than it is to sport fishing. This assumption is incorrect. Commercial utilization of freshwater fish is limited and does not compare economically to the benefits of freshwater angling. The 1975 National Survey of Hunting, Fishing and Wildlife Associated Recreation (USDI, Fish and Wildlife Service, 1977) demonstrates that approximately 58 million sport anglers spent approximately \$10 billion annually. Removing a fisheries research capability from DOI and the Fish and Wildlife Service would deny this much needed support to a major recreational activity having strong economic impacts throughout the country.

I support your recommendation against transferring various fisheries and aquaculture programs from NOAA to a reorganized Commerce Department (page 24). I believe it is extremely important to maintain NOAA basically in its present form.

There is a reference in the memorandum (pages 26-28) to a possible reorganization of the Department of Commerce including the transfer of certain functions of the Bureau of Mines. Earlier in this letter I described my thinking with respect to a minerals focus in the Department of Natural Resources. I believe it is very important to have mineral expertise in DNR as part of the land management decision-making process. If the minerals component of the DNR is fragmented so that part of its functions are transferred to the Department of Commerce, the one-stop shopping and efficiency goals of the DNR reorganization would be affected accordingly.

I understand that I will have an opportunity to review a draft of the Presidential decision memorandum before it goes to the President so that I may send my final comments to him after reviewing your recommendation.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Leslie D. Indrus", with a long horizontal flourish extending to the right.

SECRETARY

Attachment

EXHIBIT A

Natural Resources Programs
Suggested Changes (Exhibit I)

Bureau of Land Management.

Clients: Add timber industry.

Mission: Add "including forest resources" after "lands."

Bureau of Reclamation.

Clients: Add municipal and industrial water users.

Mission: Drop ranchers after hydropower, add and
municipal and industrial water users.

Geological Survey.

Clients: Drop recreation.

Mission: Add manages minerals and OCS leases.

Heritage Conservation and Recreation Service.

Clients: Add recreationists, historic preservationists.

Office of Surface Mining.

Mission: Add and reclamation of abandoned mine lands.

Office of Water Research and Technology.

Clients: Add water resource planners.

Natural Resources Activities
Suggested Changes (Exhibit II)

Water Resources

Interior: Add: Maintains National Water Data
Exchange, conducts hydrologic re-
search and data gathering on water
quality, quantity.

Conducts research on water resource
planning problems and water desalting
and reuse.

Supplies municipal and industrial
water.

Maps and assesses river and wetlands
systems and related ecological values.

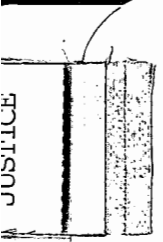
Corps of Engineers: Add hydropower.

Oceans

Interior: Delete: "baseline" and substitute "impact"
(baseline studies terminated in 1978).

Add: Conducts research on marine minerals.

Conducts marine mammal programs.



NO COMMENTS WERE RECEIVED FROM THE ATTORNEY GENERAL ON
THE ADDITIONAL REORGANIZATION OPTION.



NO COMMENTS WERE RECEIVED FROM THE ATTORNEY GENERAL
ON THE DRAFT DECISION MEMORANDUM



Office of the Attorney General

Washington, D. C. 20530

January 2, 1979

RECEIVED

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MANAGEMENT & BUDGET

MEMORANDUM FOR: James T. McIntyre, Jr.
Director
Office of Management & Budget

FROM: J. Phillip Jordan, *J. Phillip Jordan*
Special Assistant to
the Attorney General

The attached memorandum, with attachment, was received in the Attorney General's office on December 28, 1978. At that time the Attorney General was out of town and would not return to the office until January 2, 1979. In his absence I referred portions of the attachment to those parts of the Department of Justice that appeared to have some possible expertise in the areas discussed. I attach a memorandum from the Assistant Attorney General for the Land and Natural Resources Division, discussing the proposed reorganization that would create a Department of Natural Resources. At this point the Department of Justice has no further comment on the attachment to your memorandum.

memorandum

DATE: December 29, 1978
TO: James W. Moorman
ATTN OF: Assistant Attorney General
SUBJECT: Land and Natural Resources Division
Reorganization information memorandum
TO: Mr. J. Phillip Jordan
Special Assistant to
the Attorney General

I have four comments on the proposed reorganization that would create a Department of Natural Resources.

1. The idea is basically a good idea.

2. The reorganization proposes inter alia that the Forest Service be transferred from the Department of Agriculture to the new Department of Natural Resources. That is a good move. It is also proposed that the Forest Service would eventually absorb Interior's Bureau of Land Management. (See p. 5) The Bureau of Land Management manages many hundreds of thousands of acres of grazing lands, desert lands, left over Alaskan lands and what have you. It is organized along state lines and is very political. The Forest Service, on the other hand, is a very efficient, professional outfit. I predict that a merger of the Forest Service and BLM will result in the downfall of the Forest Service because the political pressures from western mining and grazing interests is so strong that the merged agency will not be allowed to function as the Forest Service does.

3. As I understand the reorganization (page 5) the Corps of Army Engineers' planning function (as well as Agriculture's Soil Conservation Service's planning function) would be transferred to the new Department of Natural Resources. The design and construction functions of Interior's Bureau of Reclamation (as well as Soil Conservation Service's) would be transferred to the Corps!



At the bottom pf page 5 the memorandum states "Separating project planning from construction would remove the incentive to generate plans to support a construction program." Anyone who would believe this would believe anything. Furthermore it is obvious that the new Department of Natural Resources will be totally unable to control any program if design and construction remains with the Corps. The relationship between the Public Works Committees and the Corps of Engineers is such that this split will lead to rivalry and confusion.

4. The report nowhere addressed the obvious conflict created by including the Bureau of Indian Affairs within the Department of Natural Resources. It would seem to me that serious consideration should be given to removing the Bureau of Indian Affairs from the Department of Natural Resources.

LABOR

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

January 12, 1979

MEMORANDUM FOR JAMES T. McINTYRE, JR.
Director, OMB

FROM: RAY MARSHALL (RM)

SUBJECT: Additional Reorganization Option

After reviewing this option I would like to reiterate my support for the Department of Development Assistance as originally proposed. Splitting public and private sector development programs would be counterproductive assuming your goal was to concentrate, coordinate and streamline development programs. It would be an artificial dichotomy and make a difficult job almost impossible.

I have no objection to strengthening the economic analysis and trade functions of Commerce.

THE LABOR DEPARTMENT HAD NO COMMENTS ON THE
DRAFT DECISION MEMORANDUM, BEYOND THOSE MADE
ON THE INFORMATION MEMORANDUM.

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

January 5, 1979

MEMORANDUM FOR: JAMES T. McINTYRE, JR.
Director, OMB

FROM: RAY MARSHALL, Secretary of ^{Ray}
Labor

SUBJECT: 1979 Reorganization Agenda

Before commenting specifically on your 1979 reorganization proposals, I would like to make some general observations on the merit of structural change in the Federal government and the politics of reorganization.

• Merit of Structural Change

I believe that structural reorganization alone will not necessarily improve government services and increase efficiency. Changes in the process such as civil service reform and correction of program deficiencies through authorizing legislation are likely to be more effective. However, structural change can be a useful tool if there are clear structural impediments to program effectiveness, and if the evidence suggests that a change in structure will improve service delivery.

To make accurate judgements about the desirability of structural change you need to be a program client, an intermediary in service delivery, or an administrator of the programs. Since I have not analyzed a reorganization from these perspectives in the areas of natural resources, development assistance, or agriculture, I face a handicap in determining if programmatic improvement will occur because of these reorganizations. A reorganization not only changes structure but it may affect the program's purpose, visibility, existing linkages with other programs and its relationship to the Congress and its constituents. These

alterations may not result in a better program.

The other major prerequisite of reorganization is that it be based on a well thought out conceptual framework of the new department's mission. An organization is only a mechanism in getting things done. It can only be judged as a good one if you know in this case what you mean by development and natural resource management. For example, different views about the process of development and how government could affect it would dictate different structures.

As a final comment, I am convinced that we have a pressing need to reorganize the structure for making economic policy. The current structure does not work well and provides for no way to integrate macro- and micro economics. At a minimum, we need to find a way to accomplish sector by sector analysis of our economy and bring this analysis to bear on our other economic and social policies. I hope we can address this issue soon. It is the most urgent problem.

• Politics of Reorganization

The President's strong early commitment to structural change in the Federal government requires additional reorganization. I believe that by 1980 he should be able to at least have made a credible effort to change the structure of government. However, it is equally as important that he also be successful in getting Congressional approval of these proposals. The public perception of the President winning in his reorganization effort may well be more important than the number of proposals or the scale of reorganization. Consequently, the timing of submission to the Congress and the effort devoted to each is critical.

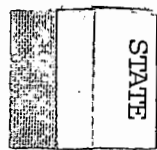
• Natural Resources

The case for a Department of Natural Resources is the most compelling. It will also be the most difficult politically. I believe that this should be the priority proposal for the first session of the Congress and beyond if necessary.

• Department of Development Assistance

On the surface, this proposal is appealing. As I have mentioned, I believe the most significant limitation is that the proposal does not appear to be based on any particular concept or view of the development process and the proper public sector role. Without such a framework, I find it difficult to determine if your staff has proposed the proper structure.

On two specific issues, I have a strong favorable response. First, it will be easier for the Labor Department to build linkages between our employment and training programs and development programs if the development programs are in a single agency. This relation is essential and I believe it is a strong argument for consolidation. Secondly, I believe linking urban and rural development is necessary. Since urban problems often have their origin in rural places, you must develop much better program relations.



DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

JAN 12 1979

THE ADMINISTRATOR

The Honorable James T. McIntyre, Jr.
Director
Office of Management and Budget
Washington, D. C. 20503

Dear Jim:

This is in response to your January 11, 1979, memorandum in which you asked for comments on the reorganization options relating to the creation of a Department of Development Assistance and a Department of Trade and Business Development. My comments relate to the inclusion of the Overseas Private Investment Corporation in the proposed Department of Trade and Business Development.

The rationale for including OPIC in the proposed new Department is that it "would help to weld together positive groups of export supporting activities that can foster meaningful improvement in the U.S. competitive position abroad and result in increased domestic employment and greater exports by both small and large businesses." I believe that this rationale misinterprets the purpose of OPIC and that inclusion of OPIC in the proposed new Department would be directly contrary to recently expressed Congressional concerns regarding the direction of OPIC programs.

As you know, OPIC was created as a separate agency in 1969 to enhance the economic and social development of less-developed countries. Thus, section 231 of the Foreign Assistance Act, the basic authorization for OPIC, states that its purpose is to "mobilize and facilitate the participation of United States private capital and skills in the economic and social development of less-developed, friendly countries and areas, thereby complementing the development assistance objectives of the United States." (emphasis added). The 1969 House Foreign Affairs Committee Report on OPIC operations expressly stated that "the Corporation's activities will complement the development assistance objectives pursued through the AID program and other developmental programs in which the United States participates." To stress OPIC's development and foreign policy objectives, Congress provided

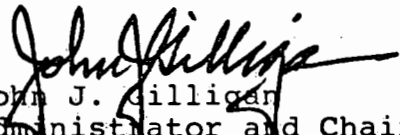
that the Administrator of AID would be the statutory Chairman of the OPIC Board of Directors and that OPIC would operate under the policy guidance of the Secretary of State.

I believe that inclusion of OPIC in a new Department of Trade and Business Development, for the purposes described in your January 11, 1979, memorandum, will inevitably be perceived by the Congress as an attempt to change the basic purpose of OPIC.

The fact that Congress is still concerned with the role of OPIC as a development agency is emphasized by the amendments to the OPIC authorization added to the Foreign Assistance Act by the 95th Congress. Pursuant to these amendments, OPIC is now required to allocate up to 50 percent of its annual net income to assist and facilitate the development of projects which will broaden the participation of United States small business, cooperatives, and other small United States investors in the development of small private enterprise in less-developed, friendly countries or areas. In addition, the Congress has asked the President to report not later than September 30, 1980, on the extent to which OPIC programs complement or are compatible with the development assistance programs of the United States.

In view of OPIC's statutory purpose to enhance the development efforts of the United States in less-developed, friendly countries, and the recent Congressional concern with the development aspects of OPIC programs as reflected in the 1978 amendments to the Foreign Assistance Act, I recommend that OPIC not be considered for inclusion in the proposed new Department of Trade and Business Development.

Sincerely yours,


John J. Gilligan
Administrator and Chairman
of the Board of Directors
of the Overseas Private
Investment Corporation



DEPARTMENT OF STATE

Washington, D.C. 20520

January 12, 1979

MEMORANDUM

TO: Mr. James T. McIntyre, Director, Office
of Management and Budget

FROM: M - Ben H. Read *gmr*

SUBJECT: Additional Reorganization Option for
Development Assistance

Your memorandum of January 11 transmits a new "Option 3," which I take to be an addition to that section in your draft of January 5 headed "II. Development Assistance."

As part of this option, your memo proposes creation of a department of trade and business development which would incorporate the Overseas Private Investment Corporation (OPIC) and the Export-Import Bank (EXIMBANK). The Department of State would oppose the inclusion of either of these two agencies in any Department of Trade. In neither event are the advantages to be gained evident. Some of the disadvantages we perceive are spelled out below.

OPIC

-- This administration is committed to sharpening the development focus of OPIC. Making OPIC part of an agency whose purpose is to assist private sector business would reinforce the view of OPIC's opponents that its major purpose is to subsidize U.S. businessmen.

-- OPIC operations are governed by the Foreign Assistance Act. Assigning OPIC to a new government department would require another Congressional review of OPIC activities, closely following OPIC's recent and nearly unsuccessful struggle to have its authority renewed through 1981. Subjecting OPIC to another Congressional review could jeopardize its existence.

-- OPIC's positive image with the business community is largely due to its corporate structure and independent board of directors. This image would suffer were OPIC to be identified as part of a larger government bureaucracy.

-- The need for a high degree of foreign policy sensitivity in OPIC argues against its inclusion in any agency with a domestic focus.

-- To improve the US government's ability to coordinate better all forms of USG development assistance, we have supported OPIC's inclusion in the proposed International Development Cooperation Administration. We continue to regard this as a more appropriate locus for OPIC than as part of a new Department of Trade.

EXIMBANK

-- Blurring EXIMBANK's presently clear image as an independent agency focused exclusively on the facilitation and expansion of U.S. exports would suffer under the proposed incorporation into a Department of Trade. This would send a negative signal to U.S. businessmen (and our trade competitors) regarding the seriousness of the USG's intention to expand exports.

-- As an independent agency, EXIMBANK maintains close communication and an excellent cooperative relationship with other agencies whose interests overlap, a group which includes Treasury, DOE, and State, as well as Commerce. Submersion of EXIMBANK within a Department of Trade will make continuation of this cooperative relationship more difficult, both in regard to economic policy formulation and in regard to matters involving sensitive foreign policy concerns.

THE STATE DEPARTMENT HAD NO COMMENTS ON THE
DRAFT DECISION MEMORANDUM, BEYOND COMMENTS
MADE ON THE INFORMATION MEMORANDUM

UNDER SECRETARY OF STATE
FOR MANAGEMENT
WASHINGTON

January 3, 1979

MEMORANDUM

TO: Mr. James T. McIntyre, Jr. - Director, OMB
FROM: M - Ben H. Read *Bank Read*
SUBJECT: Reorganization 1979

Your recent information memorandum describes options under consideration for the reorganization agenda in 1979, including the possible reorganization of the Department of Commerce. While I understand that initial review of these options is still underway, I am concerned that you be aware as early as possible of Secretary Vance's firm opposition to one option presented in your memorandum: the transfer of the commercial attache function from the Department of State to the Department of Commerce.

The context in which that option is presented suggests fundamental misunderstanding of the role of commercial officers within the Foreign Service and of the manner in which they carry out the commercial function. Foremost among the evident misconceptions is the notion that services performed by commercial attaches duplicate or compete with services offered by the Department of Commerce or other domestic agencies. Because the Foreign Service's role in providing business services abroad is unique, transfer of this function to Commerce would effect no savings.

Moreover, commercial attaches do not constitute a separate business service system, but rather are an integrated part of the economic/commercial function within the Department of State. The same function performed by commercial attaches in larger missions is also performed by general duty Foreign Service officers at smaller posts. Transfer of the commercial attaches would lead to a serious fragmentation of our trade promotion effort abroad, and a corresponding lack of effectiveness.

Loss of effectiveness would result also from the

increased isolation of the commercial function from the substantive resources of our missions abroad. Trade is often so closely linked to political and macroeconomic considerations that an effectively coordinated, mission-wide effort must be the key element in export promotion.

The effectiveness of individual commercial personnel would also suffer were the attaches extracted from the Foreign Service system. The availability of a pool of experienced economic/commercial officers, broadly trained in the skills necessary to operate effectively in any given overseas environment, is one of the strongest arguments for retention of this function in the Department of State.

Decreased effectiveness would be complemented by increased costs. The fragmentation and duplication of our trade promotion efforts abroad would necessitate additional funding and personnel. Additional personnel stationed overseas would also require substantial increases in MODE levels, contravening the President's directive that the level of U.S. government personnel abroad be reduced.

In the face of these costs, the gains from a transfer of the commercial function appear minimal. There exist now planning mechanisms in the export-services area, e.g. the Country Commercial programs, which ensure full coordination with the domestic programs of the Department of Commerce. This tie will become progressively tighter as we and the DOC move together to implement the Worldwide Information Transmittal System (WITS), which will provide direct links via computer between U.S. missions abroad, the DOC, and DOC domestic field offices.

Given the balance of cost and benefit involved, I hope you will be prepared to respond to this expression of concern by deleting now the proposed transfer of

commercial attaches from those options presented for final consideration.

More generally, the overall approach taken in Section IV would appear to warrant a careful review.

Sectoral analysis is only useful insofar as it provides a basis for government policy. Such analysis is done for a number of purposes. The monitoring of wages and prices is, we hope, only a temporary function. Under the leadership of the Special Representative for Trade Negotiations, extensive sectoral analysis was assembled to support our negotiators in the Multilateral Trade Negotiations. The International Trade Commission has a mandate to provide an independent assessment of the effect of imports on domestic industry. Performance in this area can no doubt be improved, for example, in the area of assessing the impact of government regulation on specific sectors. However, sectoral analysis designed to serve multiple purposes should be kept independent of any one policy-making function.

The Special Representative for Trade Negotiations, in exercise of its Congressional mandate contained in the Trade Act of 1964, provides leadership in trade policy through the Trade Policy Committee and its subsidiary committees. Many agencies participate in the formulation of trade policy, reflecting the multiplicity of divergent interests which must be reconciled. There is no analysis in the memorandum which leads to a conclusion that the necessary policy coordination can better be performed by Commerce rather than by STR. We believe that the concept providing for establishment of the STR in 1964 remains valid and has proved effective in practice.

The memorandum somewhat ingenuously cites as an example of policy inconsistency that STR was negotiating orderly marketing agreements on color televisions with Japan at the same time Treasury was pursuing an anti-dumping investigation. An orderly marketing agreement is a remedy in cases of injury to a domestic industry due to foreign competition, without reference to whether that competition is fair or not. Treasury, along with State and other interested agencies, participates fully in any decision to negotiate orderly marketing agreements. Dumping duties are assessed in response to a specific trading practice deemed to be unfair. In those cases

where injury to a domestic industry is found to occur, the assessment of such duties is mandatory. If these two actions are inconsistent, then our trade legislation rather than our trade policy machinery is at fault.

Treasury's efforts with respect to steel imports were designed to protect the U.S. steel industry from unfair trading practices. Export-Import Bank financing of steel mill equipment exports is not necessarily inconsistent. The operative question seems to us to have been whether a foreign steel mill would be constructed with U.S. equipment or foreign equipment. The decision on Export-Import Bank financing did not affect the level of U.S. steel exports.

In the absence of more compelling evidence of the inadequacies of existing trade policy machinery, we are not convinced that reorganization of the Department of Commerce to include the current functions of STR or Export-Import Bank would provide improved trade policy leadership. Furthermore, we are concerned that such a move would disturb the necessary balance between domestic and foreign policy considerations in trade policy formulation. Finally, the examples given of Federal agencies working at cross purposes do not establish a case of failure in leadership or in policy coordination.

We urge that any decision memorandum on these issues clearly identify, as well as document in a compelling fashion, the problems which Commerce reorganization would address. The memorandum should also clearly indicate the contributions which reorganization would make resolving these problems.

EB:JKatz:tmd
M/MO:FPWardlaw:tmd
1/3/79



THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

January 16, 1979

MEMORANDUM FOR THE HONORABLE JAMES T. MCINTYRE
DIRECTOR, OFFICE OF MANAGEMENT & BUDGET

Subject: Further Comment on Additional Reorganization
Option

In addition to the points made in my memorandum of January 12, I would like to record Treasury opposition to the incorporation of OPIC into any new "Department of Trade and Business Development".

OPIC is a useful program for simultaneously promoting development in poor countries and opportunities for U.S. business there. However, it has been a source of major congressional battles -- the most recent of which, just a year ago, explicitly conditioned OPIC's continuation on its focusing primarily on its developmental mandate.

Any effort to move the Corporation into Commerce as part of an "export promotion operation" would thus fly directly in the face of existing legislation, and probably jeopardize the whole future of the institution. Substituting the Secretary of the new department for the AID Administrator as Chairman of the OPIC Board would further intensify the likelihood of this reaction.

Treasury therefore would oppose shifting OPIC into any such new agency.

Bob
Robert Carswell



THE DEPUTY SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

January 12, 1979

MEMORANDUM FOR THE HONORABLE JAMES T. MCINTYRE, JR.
DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Subject: Additional Reorganization Option

We have the following comments on Option 3 included in yours of January 11, 1979.

Economic Development

As a result of our experience in the National Development Bank project, we generally agree with the need for consolidation and rationalization of the domestic economic development programs in the U.S. Government. Option 3 appears to rationalize some of the programs but introduces a dichotomy between programs aimed at the public sector and those targeted at the private sector. In reality many development projects require an integrated private-public program. That was a major rationale for the National Development Bank as originally proposed, and we would suggest that Option 3 does not adequately address that issue. Under Option 3 the National Development Bank becomes programmatically indistinguishable from EDA, and its programs should be integrated with that agency, rather than creating a new entity.

Trade

On the international side, we have real reservations about the creation of a Department of Trade and Business Development. In our view, it makes sense to create a Department of Trade only if it comes as part of new trade policy of export promotion. Without such a policy, the new Department would have no new mission to perform. We question whether there are any real benefits to be derived from the reorganization of existing trade functions as proposed in Option 3. Indeed, there may be real drawbacks:

- There are many existing agencies and departments that have and, even after the proposed reorganization,

will continue to have responsibilities in the field of international trade; e.g., State, Treasury, Agriculture and STR. This proposal will not fundamentally affect the contours of these agencies and hence will not eliminate the need for extensive coordination on trade matters among these agencies.

- ° Option 3 does not make for a credible Department of Trade since it places selected trade functions in a Department that will be dominated by domestic business interests. The concern for domestic business development will present unavoidable conflicts for the development of a sound trade policy.
- ° Eximbank's unique financing role and position in the private market will be jeopardized if it is placed within a Department that administers a variety of programs and that lacks the clear focus enjoyed by Eximbank today. Moreover, the existing collaborative efforts between Eximbank and the several agencies and Departments involved in trade policy may be disrupted if Eximbank ceases to be an independent agency and becomes part of one department.


Robert Carswell

THE TREASURY DEPARTMENT HAD NO COMMENTS ON THE
DRAFT DECISION MEMORANDUM, BEYOND COMMENTS MADE
ON THE INFORMATION MEMORANDUM. THEY ADDED,
HOWEVER, THAT THEY SUPPORT CONSOLIDATION OF ECONOMIC
DEVELOPMENT PROGRAMS.



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

January 3, 1979

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P/2: 59

MANAGEMENT
BUDGET

MEMORANDUM FOR THE HONORABLE JAMES T. MCINTYRE, JR.
DIRECTOR, OFFICE OF MANAGEMENT
AND BUDGET

Subject: 1979 Reorganization Agenda

The following are brief comments on your Reorganization 1979 memorandum received December 27, 1978.

Developmental Assistance

In our view, the OMB reorganization options in this area obviate the need for a development bank as a separate statutory agency -- whether in a reorganized HUD or Commerce. Existing statutes can be revised to provide and reposition the financing tools included in the previously proposed Bank legislation. Indeed, a new entity would be inconsistent with the purpose of reorganization.

The options do not explicitly differentiate between agency overlap and program overlap. Treasury's work on the development bank left us with the impression that there are serious overlaps and confusion of both types. Thus, we would suggest that if there is a decision to proceed with any of the options, both a reorganization plan and statutory changes in programs are indicated.

Treasury has no position on the options concerning departmental location for a reorganized economic development program.

Trade and Commerce

We have three comments with respect to this proposal:

1. The paper does not provide an adequate basis for a conclusion that reorganization will facilitate better formulation and implementation of trade policy. It concludes

that because elements of trade policy are clearly conducted by a number of different agencies, the situation would improve if some or all of those functions were consolidated under a single Cabinet-level officer. While this may prove to be the result for those trade related functions that are consolidated under the new agency, it is plainly not possible to consolidate all trade related functions under that agency. For instance, economic issues will continue to be of concern to the Department of State in its overall conduct of foreign relations; through international monetary responsibilities, tax policy and treaty issues, Treasury will necessarily continue to be deeply involved in trade policy; Agriculture will presumably continue to have a primary responsibility for what has been at least one quarter of our exports; and environmental and other regulatory functions will also continue to intrude on trade policy. Thus the proposed consolidation will not do away with the necessity for coordinating mechanisms to deal with issues beyond the scope of a new Department. That being the case, it is important to focus on exactly what limited improvements could be achieved through a limited consolidation. We are uncertain what those will be.

2. On a more parochial level, we are doubtful that either efficiency or savings -- there is little or no coordination issue in this area -- will be achieved by transferring the antidumping and countervailing duty functions of this Department to a new Department. Historically, those functions were placed at Treasury (i) because the administrative work connected with these programs is performed in the Customs Service (a Treasury bureau) and (ii) because Congress apparently did not wish to have an agency responsible for business and trade interests also administering a program that might be in conflict with or be unduly influenced by the agency's constituency. We are doubtful that a new Department will be able to administer effectively a program much of the work of which must be done by a bureau in another Department, and we would suggest that the creation of a larger staff and duplication in the new Department would seem inevitable.

Transferring the Customs Service to a new Department would clearly not be feasible. The primary function of that Bureau, the second oldest in the U.S. Government, is to collect revenue (approximately \$7 billion a year) and to administer various law enforcement and regulatory programs.

The ability to administer those programs belongs with an agency like Treasury that has existing staff capability in those primary areas.

3. We are not certain what the reorganization would do to improve the level of economic microanalysis in the Government today. Basically, the Department of Commerce has the only capability in that area today, and under any reorganization would continue to have the only capability. Thus, reorganization would seem irrelevant to the present situation.



Robert Carswell
Acting Secretary

TRANSPORTATION



THE DEPUTY SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

JAN 12 1979

Honorable James T. McIntyre, Jr.
Director
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. McIntyre:

We appreciate the opportunity to comment on your latest reorganization option related to development assistance programs.

Option 3 seems to offer a good compromise position which recognizes the needs of both the public and the private sector. However, we recommend that Option 3 be amended, so that the Maritime Administration (MARAD), presently in the Commerce Department, would be transferred to the Department of Transportation.

With MARAD in the Department of Commerce, it is difficult for the Secretary of Transportation to completely exercise his responsibility to provide a totally integrated national and international transportation system. The transfer of MARAD to the Department of Transportation would increase DOT's capability to initiate and effect Federal transportation programs that would produce complementary water/truck/rail transportation systems responsive to the Nation's needs. While we recognize that MARAD subsidy programs could be perceived to relate to trade and business development, we believe that these programs for the development of the maritime industry should be more fully integrated with the overall national transportation system.

To this end, we recommend the following changes be made in Option 3. A second paragraph should be added at the top of page 2, as follows:

"With the transfer of Commerce programs to the two new departments, the Maritime Administration (MARAD), which is presently housed in Commerce, should be transferred to the Department of Transportation (DOT). This would fulfill the original concept of the DOT Act and substantially eliminate the remaining split of transportation responsibilities within the Executive Branch."

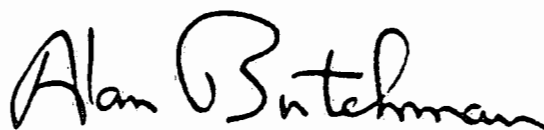
The foregoing amendment should also be reflected under Organizational Changes on page 2. In the section which describes the Department of Trade and Business Development, the listing of Commerce programs absorbed should include this ending:

"; and the Maritime Administration, which would go to the Department of Transportation."

For clarification, our recommended changes are marked on the enclosed copy of your proposal.

Please contact me if you have any questions or wish to discuss our comments further.

Sincerely,

A handwritten signature in cursive script that reads "Alan Butchman". The signature is written in dark ink and is positioned centrally below the word "Sincerely,".

Alan Butchman

Enclosure



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JAN 11 1979

MEMORANDUM FOR THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF DEFENSE
THE SECRETARY OF ENERGY
THE SECRETARY OF THE ARMY
THE SECRETARY OF HEALTH, EDUCATION
AND WELFARE
THE SECRETARY OF HOUSING AND URBAN
DEVELOPMENT
THE SECRETARY OF INTERIOR
THE ATTORNEY GENERAL
THE SECRETARY OF LABOR
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
✓ THE SECRETARY OF TRANSPORTATION
THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
THE ADMINISTRATOR OF VETERANS AFFAIRS
THE ADMINISTRATOR OF THE ENVIRONMENTAL
PROTECTION AGENCY
THE DIRECTOR OF THE COMMUNITY SERVICES
ADMINISTRATION
THE ADMINISTRATOR OF THE SMALL BUSINESS
ADMINISTRATION
THE CHAIRMAN OF THE WATER RESOURCES COUNCIL
THE CHAIRMAN OF THE INTERNATIONAL TRADE
COMMISSION
THE PRESIDENT OF THE EXPORT-IMPORT BANK
THE CHAIRMAN OF THE COUNCIL ON
ENVIRONMENTAL QUALITY
THE PRESIDENT OF THE OVERSEAS PRIVATE
INVESTMENT CORPORATION

FROM: James T. McIntyre, Jr. *Jain*
SUBJECT: Additional Reorganization Option

Would you please review and give me your comments on the attached additional reorganization option. In order that we can reflect your position in the final memorandum to the President, please forward your comments by CLOSE OF BUSINESS, FRIDAY, JANUARY 12.

Option 3. Consolidate development assistance to State and local governments in a Department of Development Assistance and consolidate assistance to business in a Department of Trade and Business Development.

This alternative would incorporate those parts of option 1 aimed at bringing together in one Department those Federal assistance programs directed to strengthening the public sector's development capacity at the State and local levels.

Under this alternative there would be also a consolidation in one Department of those Federal assistance programs that assist the private business community in export promotion and financing, business development, technology utilization and economic analysis.

This option therefore places Federal development assistance for the public sector in one Department and Federal assistance for the private sector in another Department. Thus, clear lines of authority and responsibilities would be created that can be understood by the general public, the private sector, and State and local governments.

The Department of Trade and Business Development would unite the Small Business Administration, National Development Bank, other business loan programs and the Industry and Trade Administration into a coordinated approach to business development.

The Export-Import Bank and Overseas Private Investment Corporation (OPIC) provide financial and other assistance to American companies operating overseas. These agencies, combined with SBA, would bring together several functions important to export promotion, including the Commerce and SBA field office networks. These tools should permit the Department to weld together positive groups of export supporting activities that can foster meaningful improvement in the U.S. competitive position abroad and result in increased domestic employment and greater exports by both small and large businesses.

A particular focus of the Department of Trade and Business Development would be the growth of productivity and technology. The Department would continue to develop policies in this area, through examination of Federal policies on business taxation investment, patents, government procurement, technology extension, research and development.

* The Secretary of the Department of Trade and Business Development would replace the AID Administrator as Chair of the Board of Directors of OPIC and will provide policy guidance as one of the 3 directors of Eximbank.

This alternative would build on the existing Departments of Housing and Urban Development and Commerce. These agencies would be reorganized, realigned and their programs supplemented to bring about strengthened capacities to assist the public and private sectors in meeting the nation's development challenges.

> • *Add new paragraph*

• Organizational Changes

The Department of Development Assistance would absorb the following Federal program responsibilities:

<u>Current Agency</u>	<u>Programs</u>
HUD	All programs
Commerce	Economic Development Administration of public works grants and loans, and planning and technical assistance (Titles I, III, IV, and IX); Title V Regional Commissions
Agriculture	FmHA Community Development Program (non-farm, non-housing)

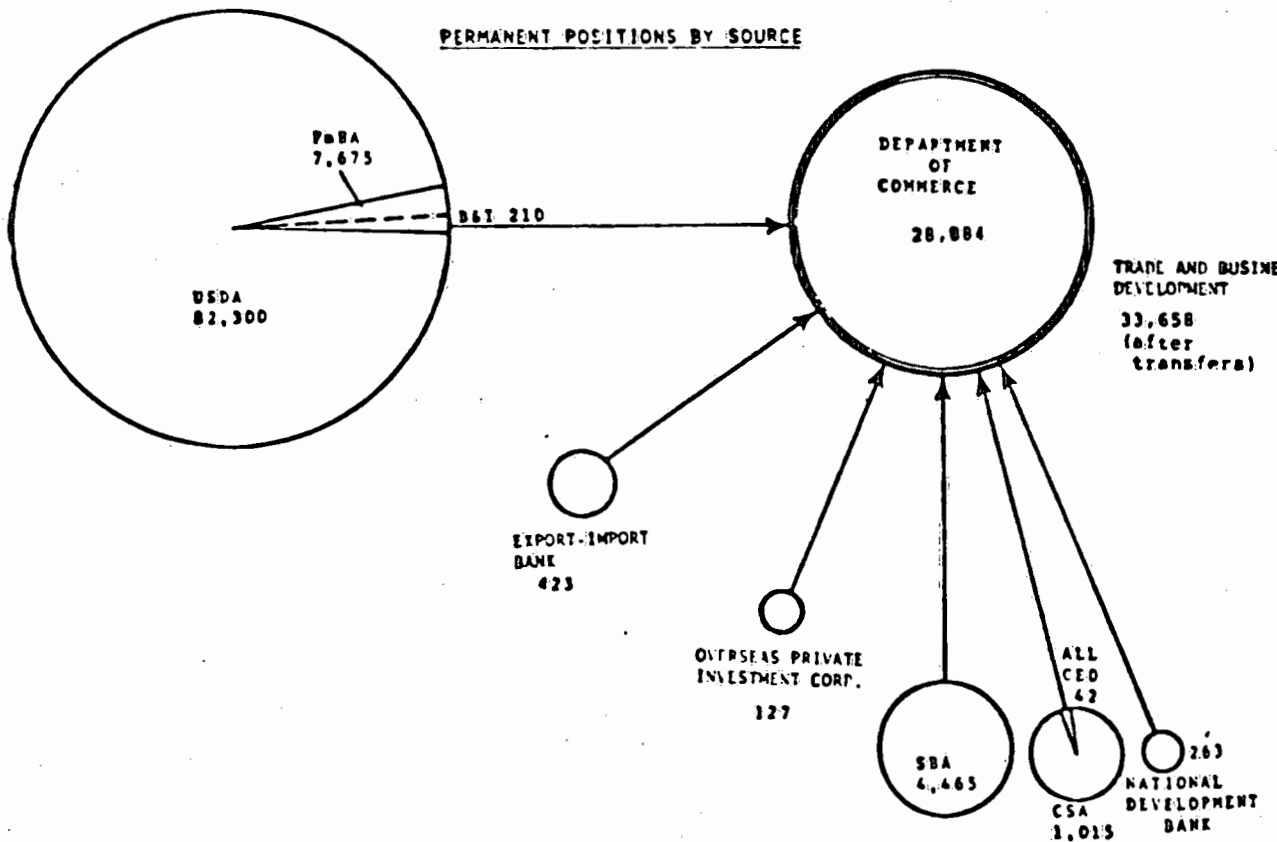
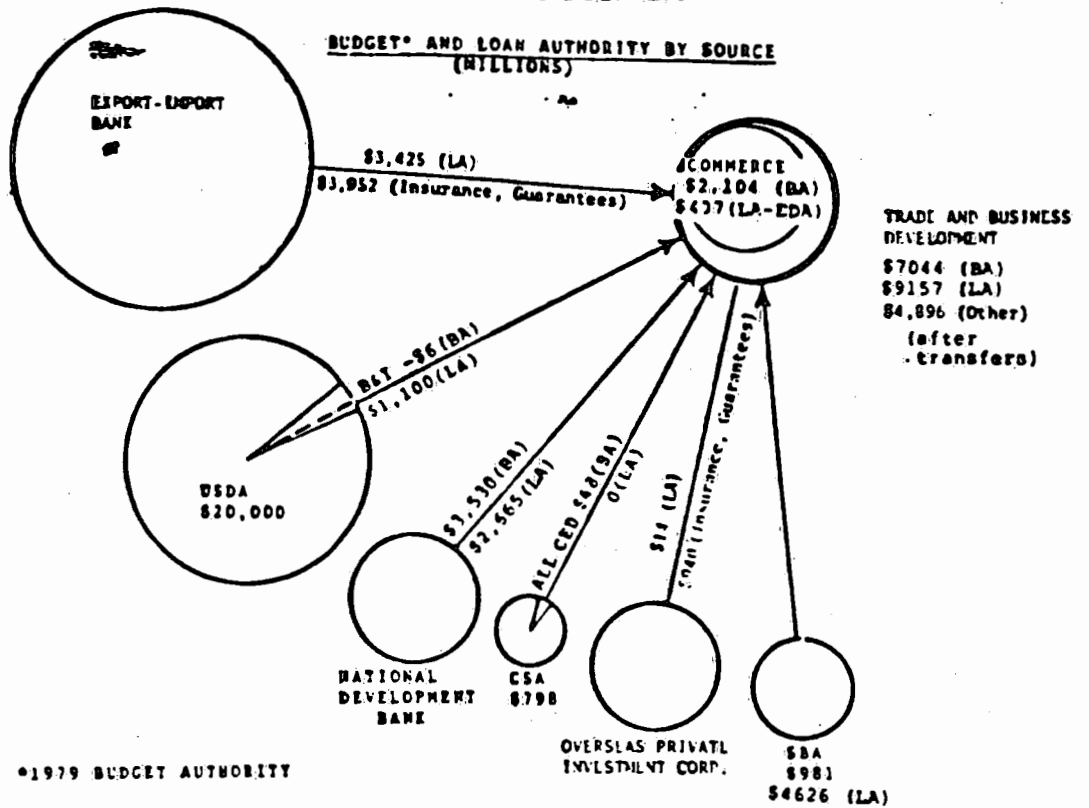
The Department of Trade and Business Development would absorb the following Federal program responsibilities:

<u>Current Agency</u>	<u>Programs</u>
Commerce	All programs, except for those portions of the EDA program and the Title V Commissions which -- as noted above -- would go to the new Department of Development Assistance; <i>and the programs (EDA and Title V) would go to the Department of Development Assistance.</i>
Small Business Administration	All programs
National Development Bank	All grants and loans to private sector
Farmers Home Administration	Business and Industrial loan program
Export-Import Bank	All activities
Overseas Private Investment Corporation	All activities
CSA	Community Development corporations

Exhibits VIII and IX depict the transfer of resources and personnel associated with this option.

EXHIBIT IX

DEPARTMENT OF TRADE AND BUSINESS DEVELOPMENT BUDGET AND EMPLOYMENT



This option would permit the consolidation of public development programs for planning assistance, economic development public sector assistance and community development facilities and activities in the Department of Development Assistance. . . . Economic Development Business loans would be consolidated in the Department of Trade and Business Development.

Including all business development programs in a strengthened Department of Trade and Business Development would insure a more coordinated and integrated approach toward the private sector -- on both a sectoral and place specific basis.

This obviates the argument some advance that business assistance could be subordinated to housing and community development in a Department built around HUD.

Placing business development assistance and public development assistance in different departments might increase business confidence in working with a Federal Government agency focused on solving basic business economic problems.

Placing the proposed National Development Bank in a Department with an orientation toward the private sector should ensure coordinated management of Federal loan funds, and more emphasis on business assistance.

Placing the SBA in this new department will ensure that small business has an effective advocate and a vital role in solving our trade and other economic problems. For the first time, small business concerns would be articulated in Federal economic policymaking.

The new Department of Trade and Business Development would also bring together major Federal programs designed to provide specialized management, technical, and procurement assistance to minority businesses.

Consolidating export financing and business development functions would permit the implementation of a coordinated policy. Growing recognition of the interdependence of our domestic and international economic problems creates a real need for a more integrated and better focused economic analysis and policy development capability aimed at improving the ability of business to adjust to changing economic circumstances. This would be a significant first step in that direction.

Equipping a single Cabinet Department with a critical core of development tools and programs to assist multi-State,

State and local units of governments will upgrade development as a focus of Federal policy and improve development partnerships with State and local governments. By clarifying authorities and responsibilities for Federal development assistance, this option would make Federal development efforts more understandable and accountable.

Locating urban and rural development programs in a single department will reduce gaps and inequities and permit the establishment of coherent balanced Federal development policy while preserving the possibility of variations in urban and rural development programming.

By providing State and local governments with one stop for development assistance and one stop for business loans, this option will improve program coordination and will permit significant program consolidation. It will also improve Federal responsiveness to local strategies.

This alternative would simplify the Federal planning assistance programs and more closely tie them to development funding decisions.

Federal-level consolidation will help reduce fragmentation at State and local levels.

This structural change will permit program reforms to create consolidated development grant programs, simplified planning programs and a streamlined rural community facilities program comparable to the existing urban program.

This proposal permits better use of program monies and will reduce administrative costs at Federal, State and local levels and make better use of scarce Federal and local technical staffs. Total Federal savings from all sources (administrative, program consolidation, and changes in program policies and administration) will be approximately \$40 million annually.

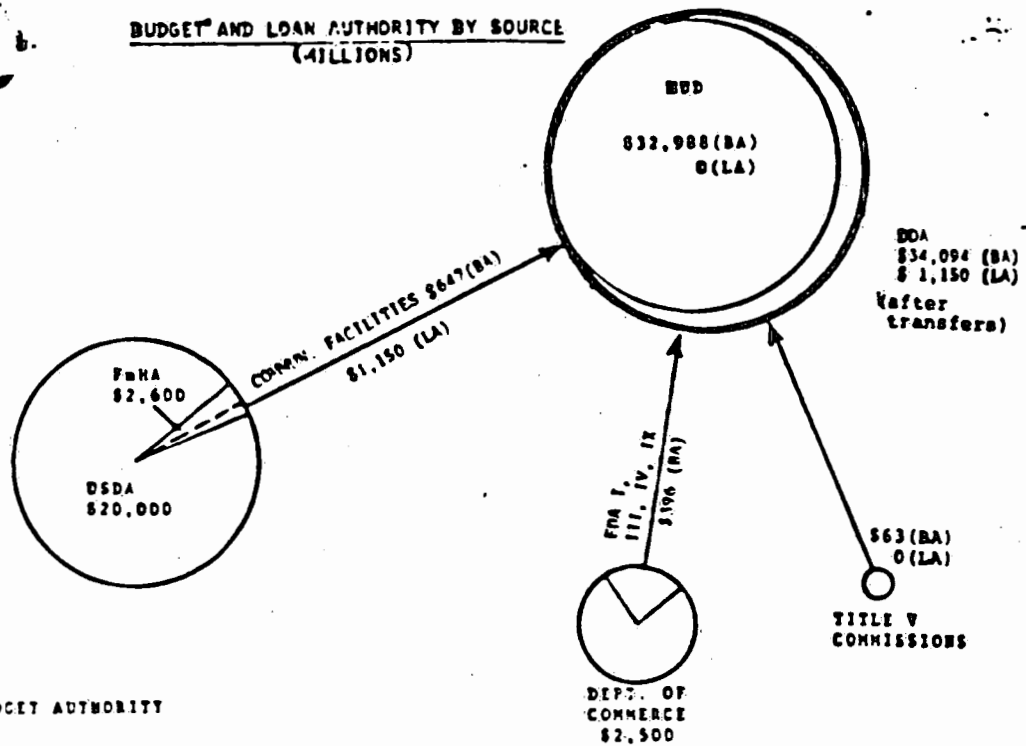
This option will strengthen the analytical foundation for subnational development decisions and create the capacity to anticipate development problems and opportunities.

This option will facilitate the use of housing programs as an integral part of the development process in urban areas.

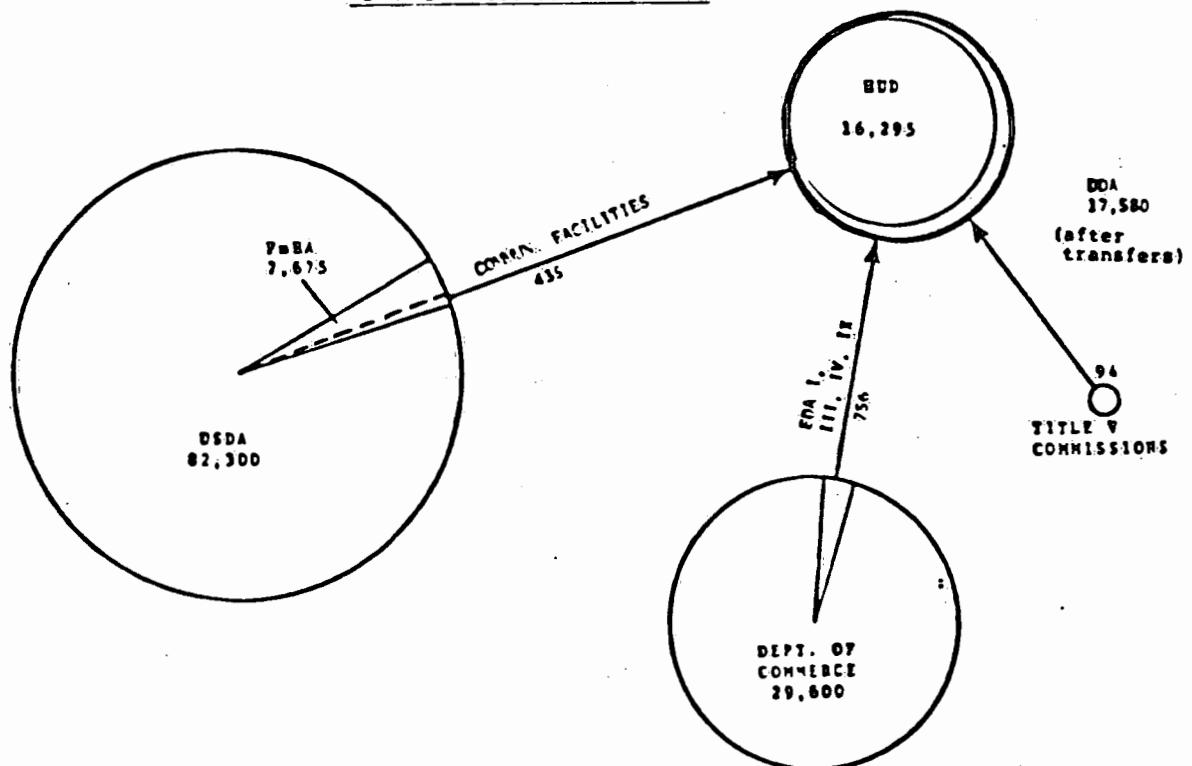
This option presents a clear and understandable division of authorities between programs directed at assisting development activities of the public sector and those of the private sector. This public/private allocation of authorities and responsibilities presents a rational and

EXHIBIT VIII

DEPARTMENT OF DEVELOPMENT ASSISTANCE BUDGET AND EMPLOYMENT BUDGET AND LOAN AUTHORITY BY SOURCE (MILLIONS)



PERMANENT POSITIONS BY SOURCE



coherent theme for the reorganization. This is a theme that can easily be explained to and understood by the general public, the Congress, mayors and governors and the private sector.

Disadvantages

Additional efforts would be necessary to coordinate planning activities in a new Department of Development Assistance to ensure their consistency with the private sector business investment decisions.

Some argue that the focus on distressed communities could get subordinated to general business promotion.

The purposes and uses of both public and private economic development programs are often the same. Some of the assistance provided through public entities goes to business in the form of revolving loan funds, business structures and related facilities.

Principal responsibility for implementing economic development policy would still be split between two departments -- policies and approaches could differ significantly.

Some argue that the objectives of the ED business loan programs are more closely related to ED public sector programs than to trade and general business programs.

When public facilities assistance and business assistance need to be packaged, as is often the case, it will be necessary to go to two separate departments. This can hinder public and private partnerships locally.



THE DEPUTY SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

JAN 8 1979

Honorable James T. McIntyre, Jr.
Director
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. McIntyre:

We have reviewed the reorganization draft decision memorandum dated January 5, 1979, and have the following comments:

Page 6, paragraph 4, briefly outlines an option which we strongly believe has considerable merit. The brevity of the data, however, precludes the President from seriously considering the proposal to establish a single point of accountability for policy and planning for our nation's inland waterways. This proposal, which is also supported by the Council on Environmental Quality (CEQ) is not even offered to the President as a potential action in the Decision section on page 11. We, therefore, request that a more balanced description of the option in paragraph 4, page 6 be presented as follows:

Delete the last sentence and replace it with,

"This sub-option requires the transfer of expertise from the Corps of Engineers to DOT. Approximately \$10 million and 40 personnel would be transferred. The Secretary of Transportation should be assigned a controlling role for any navigation project that would significantly extend or expand the present water transportation system."

The change would ensure that major navigation-related public works projects would be tested against sound economic standards; against overall transportation system requirements; and would permit trade-offs between water, highway and rail systems. Major projects would be decided, based on principal navigation benefits and not ancilliary considerations. Increased cost-effectiveness of waterway projects and the overall transportation system should result.

The above change would provide a more complete package for the President, thus avoiding the need for him to address the problem again in the near future.

We also request that our comments as reflected on page 10 be revised to the following:

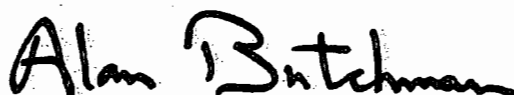
"Transportation, like CEQ, recommends that federal inland waterway policy and planning can best be accomplished by consolidating this responsibility within DOT. This will enable the Federal Government to assess the tradeoffs of all transportation options--rail, highway, pipeline and waterway--to ensure the maximum utility of federal investments."

We also recommend that this option be reflected in the Decision section of the Department of Natural Resources (page 11).

We also note that our comments regarding the Department of Oceans and Atmosphere (page 9) and a broader Department of Development Assistance (page 23) were not included in the Agency Comment summaries. We request our concerns be reflected in the final decision memorandum.

We thank you for the opportunity to comment on this important document and we are available to discuss these issues if you have any additional questions.

Sincerely,

A handwritten signature in black ink that reads "Alan Butchman". The signature is written in a cursive, slightly stylized font.

Alan Butchman



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THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

79 JAN 5

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JAN 4 1979

MANAGEMENT & BUDGET

Honorable James T. McIntyre, Jr.
Director, Office of Management
and Budget
Washington, D.C. 20503

Dear Mr. McIntyre:

This responds to your memorandum requesting comments on the major items in the draft 1979 reorganization agenda. Based on our review and analysis of the reorganization proposals we heartily support the agenda. In addition we request consideration of several reorganization options developed by this Department. Following are our comments and a summary of our proposal.

Draft 1979 Agenda

The proposed Department of Natural Resources (DNR) would assume a major responsibility in the area of water policy. Water is beyond a doubt a key natural resource; it is also a medium for transportation. As such we suggest that DNR responsibilities be carefully defined to recognize and coordinate with the Department of Transportation's (DOT) responsibilities in this area. For example, under the DNR proposal certain civil works functions, including preconstruction planning of waterway projects, would be transferred from the Corps of Engineers. Given the impact of many waterway projects on other transportation modes such as rail and trucking, it is important that this Department be assigned the controlling role on any projects involving the significant extension of the existing navigation system or its capacity for handling commercial traffic. We request, therefore, that a specific provision be made for this role by transferring the related Corps of Engineers resources to the Department of Transportation.

Among the options proposed as an alternative to the Department of Natural Resources was the establishment of a Department of Oceans and Atmosphere which would include the National Oceanic and Atmospheric Administration (NOAA), the Maritime Administration (MARAD) and the United States Coast Guard. We strongly suggest that this option not be presented to the President as a viable alternative. The U.S. Coast Guard and MARAD are transportation organizations whose primary missions are not germane to natural resources management.

With respect to the proposal to establish the Department of Development Assistance (DDA), we are interested in the programmatic changes identified on page 15 which mention the possible partial replacement of transportation planning requirements. The planning stage as relates to transportation has major implications far beyond the focus of economic development of urban areas and, therefore, no changes should be considered without extensive discussions with representatives of this Department and its constituents.

Similarly, one of the alternatives to DDA included highway and transit programs. Again we suggest a fundamental error was made in even considering moving selected transportation programs or functions out of a transportation environment. The very basis for establishing a DOT was the need to consider transportation as a single integrated network. Because of the major role played by transportation across a broad spectrum of national priorities; e.g., energy conservation, environment, economic development, etc., it is important that transportation be considered as a primary function in its own right.

Transportation Options

We note that no mention is made of the transportation reorganization options which we have discussed extensively with Mr. Harrison Wellford and his staff. Our proposal, which we believe will allow more effective management of the national transportation system, includes the following features:

Establishment of the Surface Transportation Administration

We propose to consolidate two Department of Transportation organizations, the Federal Highway Administration and the Urban Mass Transportation Administration, whose combined program levels and staff total over \$11 billion and 5,500 employees. Consolidation of these two organizations into a Surface Transportation Administration would integrate DOT's public transportation and highway programs, provide for more efficient and effective administration of these programs, and increase the ability to use professional personnel in the problem areas where they are most needed.

Transfer of the Maritime Administration to DOT

The Maritime Administration, a Department of Commerce agency responsible for promotion and subsidy of United States maritime shipping, was not included in the 1966 consolidation of transportation functions because of a last minute compromise to assure passage of the DOT Act. With the split of responsibilities for water transportation programs between Department of Commerce (MARAD) and DOT, Federal programs in this area, which should be complementary, are developed and executed in a vacuum, leading

SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

JAN 12 1979

MEMORANDUM

TO : Jim McIntyre, Jr.
FROM : Robert S. Strauss
SUBJECT: Reorganization

I personally have not had the opportunity to review your reorganization options but my staff has gone over them quickly and offers the following observations: (1) the thrust of a couple of options toward enhancing the government's trade policy and administration programs could be helpful to us in selling our trade agreements on the Hill; (2) consolidation of selected trade functions could assure that the opportunities provided by those trade agreements will be aggressively pursued by the government; and (3) none of the options appear at first glance to be adequately developed for final decision. Further work should be done before final judgment is made.

THE OFFICE OF THE SPECIAL TRADE REPRESENTATIVE HAD
NO FURTHER COMMENTS, BEYOND THOSE MADE ON THE INFORMATION
MEMORANDUM

Comments from Vince Clephas, Special Trade Rep. office

He stated that he had met with Wellford and Eric Hirschhorn and had gone over the individual comments before the paper came out. He felt that the comments they had made that day was the reason that no decision had yet been made on the Department of Commerce.

Also had this comment:

"That while we feel that a number of functions could and should be added to Commerce, whether it is restructured or not. That there will remain the need for an independent trade arm of the White House to serve as an arbitor between the Cabinet Departments."

They will not submit a written comment.



VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420

January 15, 1979

The Honorable
James T. McIntyre, Jr.
Director, Office of Management
and Budget
Executive Office of the President
Washington, D.C. 20503

Dear Jim:

This letter is in response to the additional option to the proposed 1979 reorganization as contained in your memorandum of January 11, 1979.

This agency has no substantive comments to make regarding this option.

Thank you for the opportunity to address this issue.

Sincerely,

MAX CLELAND
Administrator

NO COMMENTS WERE RECEIVED FROM THE VETERANS
ADMINISTRATION ON THE DRAFT DECISION MEMORANDUM



VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420

January 5, 1979

The Honorable
James T. McIntyre, Jr.
Director, Office of Management
and Budget
Executive Office of the President
Washington, D.C. 20503

Dear Jim:

This letter is in response to your information memorandum, concerning the 1979 reorganization.

This agency has no substantive changes to recommend regarding the essential thrust of this document.

In respect to the comment on page 22, paragraph (c), we concur in the rationale which would exclude VA housing programs from being included in the proposed DDA. The administration of the VA housing programs is intertwined with a number of other components of the VA to the extent that even if it were determined that the programs should be incorporated into the proposed DDA, the latter would, under existing law, have to depend on the VA for numerous eligibility determinations. Moreover, there is a strong belief that the VA should be a "one stop agency" for all VA benefits.

The VA housing program, in the eyes of most knowledgeable people, has been a very successful program, efficiently operated at minimum cost in relation to the good it has done, and continues to do; e.g., over ten million veterans have obtained VA home loans totaling over \$154 billion. Losses have been relatively minimal. Consequently, any attempt to disturb the present organizational structure would, in our view, be undesirable as well as unfeasible.

Thank you for the opportunity to comment on the proposed reorganization. I look forward to the improvements that this effort will bring about.

Sincerely,


MAX CLELAND
Administrator

NO COMMENTS WERE RECEIVED FROM THE ENVIRONMENTAL PROTECTION
AGENCY ON THE ADDITIONAL REORGANIZATION OPTION.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

JAN 9 1979

THE ADMINISTRATOR

MEMORANDUM

TO: The Honorable James T. McIntyre, Jr.
Director
Office of Management and Budget

SUBJECT: Reorganization Draft Decision Memorandum

I have reviewed your January 5 draft decision memorandum on Reorganization 1979. In general, I concur with your Principal Alternative recommendation for Natural Resources. It should help to bring a better balance and much-needed consistency to natural resource policy decisions. However, I would like to note one area of particular concern to me and make a couple suggestions which I believe will improve the document to be presented to the President.

Our primary concern is the treatment of the Corps of Engineers' statutory responsibility (held jointly with EPA) to administer Section 404 of the Clean Water Act (the dredge and fill permit program). Although EPA retains final authority under this program, most of the resources devoted to managing it are located in the Corps. Exhibit III of the draft decision memo shows all of the civilian budget authority being transferred to the DNR. This would leave the Corps without resources to manage their statutory responsibility.

If it is your intention for the Corps to retain this responsibility, the decision document should identify the necessary resources as part of the Corps budget. If you do not intend for the Corps to retain this function, I believe that the total responsibility as well as the resources for the program should be transferred to EPA. Such a transfer would focus this environmental protection program and provide an opportunity to improve the permitting process by combining it with EPA's Consolidated Environmental Permit System, which is now under development. In either case, it is extremely important that the appropriate resources continue to be provided to the responsible organization.

In addition to noting our concern over the Section 404 program, I would like to make a couple general suggestions:

- The memo could be strengthened by adding a discussion of the expected reactions from key State, local and Congressional actors;
- Exhibit I could be improved by adding "environmentalists" to the list of clients for natural resource programs.

I appreciate this opportunity to comment on the draft memorandum.



Douglas M. Costle

NO COMMENTS WERE RECEIVED FROM THE ENVIRONMENTAL
PROTECTION AGENCY ON THE CABINET INFORMATION MEMO

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RZ

Community Services Administration WASHINGTON, D.C. 20506



January 13, 1979

MEMORANDUM FOR THE PRESIDENT

FROM GRACIELA (GRACE) OLIVAREZ *GO*

In anticipation of your meeting Monday with the four Cabinet Secretaries affected by the development assistance reorganization options, I am submitting my views on the matter.

I have participated in the reorganization process over the past two years, and I have carefully reviewed the three development assistance options. I have consistently made clear my strong opposition to the transfer of the Title VII Community Economic Development Program to any agency or department whose primary mission is not the poor.

Let me highlight for you the reasons for my opposition:

- . This Administration came to CSA to put back together the remnants of the government's anti-poverty program, and we are succeeding. Congress has recognized the Administration's efforts in its oversight reports and in a new, three year authorization for all of this Agency's programs.
- . It has taken two years of very hard work, and your support on most issues, to reassure the poverty community and our 1500 grantees that, although this Administration would be very tough on fraud and abuse, and would insist on significant organizational and management improvements, we would not resume the dismantling of the anti-poverty program begun in the previous administration.
- . Past experience with the transfer of anti-poverty programs has demonstrated that they are often ignored, diluted, mismanaged or simply lost in the bureaucracy after they are transferred.
- . Following upon last year's low-income home weatherization program transfer to the Department of Energy, which generated a strong anti-Administration response in the poverty community - as well as Congressional opposition, this recommendation to transfer the Community Economic Development Program would confirm constituency fears and be perceived as the second step in the renewed dismantling process.

The Title VII Program has proven effective in developing community-based capabilities which have successfully integrated public and private sector economic development resources in distressed urban and rural poverty communities. To bury this unique capability in a giant federal department pursuing macro-economic business development strategies would be a serious mistake and would offer little hope for distressed low-income and minority communities.

I do not oppose reorganization. On the contrary, I have spent fifteen painful months reorganizing this Agency and have actively contributed to the Human Service Reorganization Project, which would directly affect all of our programs. I am dismayed, however, at the naive assumption that putting everything "under one roof" automatically insures efficiency and effectiveness for the benefit of all.

I am attaching, for your information, a more detailed programmatic response to reorganization option three, which has been sent to Director McIntyre.

I talked with Director McIntyre today and he has agreed to discuss my concerns with you. I am, of course, prepared to discuss them with you directly, if necessary.

Enclosure

Community WASHINGTON, D.C. 20506
Services Administration



January 12, 1979

MEMORANDUM FOR: James T. McIntyre, Jr.
Director
Office of Management and Budget

FROM: Graciela (Grace) Olivarez *GO*
Director
Community Services Administration

SUBJECT: Additional Reorganization Option

This option reflects a management decision to satisfy divergent political and programmatic points of view by quantitatively dividing responsibility for development into two segments, public and large scale private business sector involvement. It still does not reflect the necessary qualitative judgments required to guarantee community involvement and it does not meet a declared commitment of this Administration to Community Based Economic Development.

In addition to the previous arguments raised by the CSA responses I urge consideration of the following facts and issues:

- . Title VII includes elements of both of the two proposed departments and is more comprehensive in its scope than either. Title VII, therefore, cannot be placed in either of the two new proposed agencies without seriously violating its basic purposes and strategy.
- . The CSA has worked with USDA, HUD, EDA and DOL to develop and implement a set of inter-agency agreements which will in fact generate significant activity in housing, physical development, private sector employment and youth programs. These agreements show that cooperation, simplification and targetting can be effected without relocating the OED programs. It is possible to insure continuation of this cooperation through policy and legislative actions.

- . The exercise of the Administration's will in bringing about improved public (government based) and private sector (business community-based) involvement and support of Federally administered programs should not overlook the importance of maintaining a visible and real commitment to the communities' most impacted residents. This is best served by taking advantage of the progress made in developing the CDC as a comprehensive community-based vehicle to deliver social and developmental services.
- . The CSA position is that only casual reference to this commitment is reflected in all of the options. It is still urged, that consideration be given to enhancing the Title VII program through several available options. These include: (a) activating the loan authority specified in Part C of the existing legislation; (b) moving the SBA 501 and 502 portions to the Agency; and (c) utilizing the executive authority which established the OMBE program to effect necessary technical assistance services but for community-based low-income groups as opposed to individuals of all income levels.
- . The CSA is willing to identify the 40 counties, 75 cities and 20 state governments which have already requested legal and technical assistance with respect to establishing community-based economic development programs based on the Title VII CDC model. This argument is further supported by our joint effort with the Conference of Mayors.
- . The Agency has carefully studied the potential of converting other CBOs to the CDC model. At present we are preparing budget, legislative and programmatic policies for your consideration which will systematically provide a process for

involving selected CAA's and other CBOs to the concept of generating and targetting public and private investments into critically impacted neighborhoods and economically disadvantaged rural areas.

The CSA emphatically opposes the inclusion of the Title VII program in the proposed separation of economic development into public sector activities which would be the responsibility of HUD, and private sector activities which would fall under the jurisdiction of Commerce. The CDCs are community-based organizations which are able to attract, manage and invest both private and public sector monies at the micro level. They serve a unique purpose and are to be distinguished from other economic development organizations in that they combine successfully the achievement of both social and economic goals at the community level. Any transfer to exclusively private or public sector assistance programs would destroy the unique and crucial role played by the CDCs.

While we recognize and support the effort to effect more efficient and effective use of scarce resources, we urge the careful and specific (not casual) recognition of the need to include minority and low-income needs in any major policy development. Given the management improvements and revitalization of the OED in the past two years, the CSA is the logical and most effective Agency to execute this effort.

The ability of the Administration to require accountability and enforce stewardship of funds appropriated for the CSA Title VII program is obvious. The cooperation, progress and improvement in the Title VII program administration is also evident. Whereas there is a legitimate administrative justification for transferring the other programs, i.e., efficiency, eliminations,

duplication overlap, waste and inefficiency; careful analysis will indicate there are no organizational or management benefits to be derived from transferring the Title VII program. In point of fact the opposite is true, since by remaining with CSA the program could retain the autonomy and flexibility which are essential if not indispensable to its performance.

We again urge you to not include the Title VII program in this effort, but rather guarantee, through major policy and legislative guidance, the access to and cooperative use of the appropriate resources available in the new organizations.

Enclosure

Community WASHINGTON, D.C. 20506
Services Administration



January 13, 1979

MEMORANDUM FOR THE PRESIDENT

FROM GRACIELA (GRACE) OLIVAREZ *GO*

In anticipation of your meeting Monday with the four Cabinet Secretaries affected by the development assistance reorganization options, I am submitting my views on the matter.

I have participated in the reorganization process over the past two years, and I have carefully reviewed the three development assistance options. I have consistently made clear my strong opposition to the transfer of the Title VII Community Economic Development Program to any agency or department whose primary mission is not the poor.

Let me highlight for you the reasons for my opposition:

- . This Administration came to CSA to put back together the remnants of the government's anti-poverty program, and we are succeeding. Congress has recognized the Administration's efforts in its oversight reports and in a new, three year authorization for all of this Agency's programs.
- . It has taken two years of very hard work, and your support on most issues, to reassure the poverty community and our 1500 grantees that, although this Administration would be very tough on fraud and abuse, and would insist on significant organizational and management improvements, we would not resume the dismantling of the anti-poverty program begun in the previous administration.
- . Past experience with the transfer of anti-poverty programs has demonstrated that they are often ignored, diluted, mismanaged or simply lost in the bureaucracy after they are transferred.
- . Following upon last year's low-income home weatherization program transfer to the Department of Energy, which generated a strong anti-Administration response in the poverty community - as well as Congressional opposition, this recommendation to transfer the Community Economic Development Program would confirm constituency fears and be perceived as the second step in the renewed dismantling process.

- . The Title VII Program has proven effective in developing community-based capabilities which have successfully integrated public and private sector economic development resources in distressed urban and rural poverty communities. To bury this unique capability in a giant federal department pursuing macro-economic business development strategies would be a serious mistake and would offer little hope for distressed low-income and minority communities.

I do not oppose reorganization. On the contrary, I have spent fifteen painful months reorganizing this Agency and have actively contributed to the Human Service Reorganization Project, which would directly affect all of our programs. I am dismayed, however, at the naive assumption that putting everything "under one roof" automatically insures efficiency and effectiveness for the benefit of all.

I am attaching, for your information, a more detailed programmatic response to reorganization option three, which has been sent to Director McIntyre.

I talked with Director McIntyre today and he has agreed to discuss my concerns with you. I am, of course, prepared to discuss them with you directly, if necessary.

Enclosure

Community WASHINGTON, D.C. 20506
Services Administration



January 8, 1979

Honorable James T. McIntyre, Jr.
Director
Executive Office of the President
Office of Management and Budget
Washington, D.C. 20503

Dear Director McIntyre:

On Friday evening, I received and reviewed the January 5, 1979 revised draft of a decision memorandum for the President regarding Federal development assistance programs.

As stated in the revised draft, CSA does support generally the analysis and recommendations of the Office of Management and Budget Development Assistance. However, the two line staff summary of the CSA response to the President's Reorganization Project Staff memorandum is entirely inadequate to convey to the President the important program, policy and political arguments against the transfer of the Community Economic Development Program out of the Anti-Poverty Agency.

The President must be advised of these arguments if he is to make an informed judgement on this issue.

I will highlight, for your consideration, the concerns which I raised in my January 4, 1979 memorandum to the Office of Management and Budget Deputy Associate Director Lester Salamon.

- o The proposed Federal development assistance strategies focus almost exclusively on public and private sector activities and lack any recognizable focus on the poor and minorities - to the point where these groups appear to have been overlooked.
- o A Federal development assistance strategy which fails to account for resident participation is critically deficient.
- o The proposed strategies lack a commitment to developing community-based organizations to undertake community and economic development.

- o A separate, comprehensive, coordinated and well managed community-based economic development program is needed and should be reorganized into CSA to include loan operations and technical assistance in addition to existing Title VII activities. Responsibility for establishing developing and monitoring community-based organizations in economic development should be consolidated within CSA.
- o The potential political impact of a recommendation by the President to transfer the Title VII Program out of the Anti-Poverty Agency must be understood. It will be perceived by many in the poverty community as a "signal" that the dismantling of the Anti-Poverty Program has begun anew. Congressional supporters of a separate anti-poverty economic development program believe that CSA should nurture and develop poverty community organizations and their economic development capacity and that this commitment would be lost in a large new agency. Their opposition to the transfer of this small but important anti-poverty program could create significant political and legislative problems for the multi-billion dollar reorganization proposal.

I urge you to consider these concerns and advise the President accordingly before a decision is made on the recommendation to transfer the Community Economic Development Program.

I am prepared to make these arguments to you and the President directly, if necessary. I would be happy to provide any further information you may require.

Sincerely,



Graciela (Grace) Olivarez
Director

Community Services Administration

WASHINGTON, D.C. 20506



MANAGEMENT & BUDGET

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*Note: These were CSA's
only comments on
information memo*

MEMORANDUM FOR: Lester Salamon
Deputy Associate Director
for Organizational Studies
Office of Management and Budget

FROM: Graciela (Grace) Olivarez *Go*
Director
Community Services Administration

SUBJECT: Staff Analysis on Reorganization of Development
Assistance Programs

This memorandum presents the CSA staff analysis of the reorganization options and recommendations for Federal development assistance programs. The analysis is based upon a careful review of needs and options and, hopefully, will become a basis for further discussions between us and our respective staffs.

The CSA viewpoint is that the rationale for the new Department is necessary, logical, and timely. The CSA supports the position that fragmentation imbalance and lack of cooperation prevent efficient and effective program development.

It is essential that the question of including the CSA/OED in the mix of and existing programs to be combined under a single Administration, be addressed with a clear and definite understanding of its impact on the constituency served. While the PRP analysis addresses the need to involve and serve better the public sector (elected officials and bodies) and the private sector (business, banking and industry), it does not adequately address the commitment to developing community-based organizations and the inclusion of the disadvantaged residents of an area in the developmental assistance process.

Furthermore, in community-based economic development, the scale is different: neighborhood based and small by comparison; and the approach is also different: the focus includes the concurrent development of people skills and institutional development.

With this as background, the CSA position is:

1. That a separate, comprehensive, coordinated and well managed community based economic development program is needed. Further, given the progress and experience of the OED, that Title VII should be expanded to include not only grant, but technical assistance and loan operations. The expanded unit should remain with the Community Services Administration.
2. That as groups reach a measured level of maturity, they be graduated to the new agency as partners in large scale development. This would occur as they become administratively self-sufficient and demonstrate competence in implementing development plans. Until this point is reached, they will continue to have access to funds from the new DDA to support activities, as they do currently. By mandating cooperation from the beginning and implementing policy supported overtly by the President, this support can be guaranteed and improved.
3. That the responsibility for establishing, developing and monitoring CBOs in economic development be consolidated within the CSA under a national umbrella with a mandate to establish inter-agency agreements with other economic development units and Federal programs.

To accomplish this, the PRP could examine and develop a process which would allow the logical combination of staff and funding to achieve a two tiered approach: the large scale effort directed at the private sector and local elected officials; and a smaller effort directed toward community based groups who reside in the communities in need.

The first tier would be accomplished by consolidating within the DDA those programs that promote general and area-wide economic development. The second tier would consist of programs which aim to build the capacity of local community groups to address developmental needs. While these latter programs would remain institutionally in the CSA, there would be formal coordinating mechanisms and linkages between them and the first tier. In essence, this argues for a "macro-level" development strategy (represented by the DDA) and a "micro-level" development strategy in CSA working closely with DDA, which emphasizes local capacity-building, leveraging and cooperation. A two-tiered approach permits broad-scale economic planning and infrastructure building, while maintaining a commitment to local

program-solving, community-based planning and innovative solutions to the needs of special target populations.

The Presidential Reorganization has done an excellent job of documenting the need for bringing economic and community development programs into a new Department of Developmental Assistance, but it has failed to address adequately the role of community based groups. Nowhere in the document is there a discussion of how to include the disadvantaged citizens -- the poor and minorities which are a large reason for the need of the assistance -- as participants in the economic and community development process.

The reasons for the exclusion are the same reasons which make the new department necessary: fragmentation, narrow focus, and conflicting regulations. In the confusion caused by the varying mandates, areas of responsibility and focus, the various developmental assistance programs have worked with existing institutions, the public and private sectors, but have been unable to work with community-based groups. Nevertheless, the programs have recognized the need for resident participation by mandating advisory and planning groups. The lack of institutional self-sufficiency and sophistication by local, community-based groups, however, has made their participation token at best. Most programs, in trying to achieve their mandate could not at the same time focus on building the institutional capacity necessary to make the local residents participation equal to that of the established institutions.

The Community Services Administration's mandate has been to focus on the poor and disadvantaged citizens. Our experience has taught us that comprehensive community and economic development can be very successful where community-based organizations are full partners with the private and public sector.

Community-based groups, however, usually have a social service orientation, rather than a business orientation; and their ability to develop and execute community and economic development programs varies considerably. Furthermore, unlike business and local governments, they are usually unable to meet their administrative costs without Federal assistance. To develop community-based

institutions which are capable of working in partnership with the public and private sectors in economic and community development, rather than serving in token, advisory groups, require time, intensive and carefully designed management and technical assistance which will transfer technology and skills, and experience in running business enterprises, and a developmental maturation that will enable them to be administratively self-sufficient.

The CSA would argue that Federal developmental strategy that fails to account for citizen participation is critically deficient. If the private, public, and community-based sectors are addressed through a two-tiered approach, the possibilities for tapping community talent — especially among the disadvantaged and minority populations — on behalf of social and economic development are significantly enhanced and the possibility of success of all developmental programs is also greatly enhanced.

Finally, it is essential that the potential political impact of a recommendation by the President to transfer the Title VII Program out of the Anti-Poverty Agency be understood.

No matter how well founded the organizational arguments supporting transfer, or how well intentioned the Administration attempts to present itself, it will be perceived as a negative action in the poverty community. It will signal to the poverty community a resumption of the dismantling of the Anti-Poverty Programs. If this perception becomes pervasive, the political fallout for the President is obvious.

In addition, the political constituency of the Program, particularly among key Senators, is strong and vocal. They have convincing political, legislative, and organizational argument for a separate Community Economic Development Program under the Economic Opportunity Act and within the Anti-Poverty Agency. They, too, believe that the Anti-Poverty Agency needs to nurture and develop poverty community organizations and their economic development capacity so that these communities can access available Federal economic development resources and establish an infrastructure for self reliance. Their opposition to the transfer of this small anti-poverty program could cause significant political and legislative problems for the multi-billion dollar proposal to reorganize development assistance programs.